



Commodore
International
Limited

Second Quarter Report
December 31, 1991

To Our Shareholders

For the second fiscal quarter ended December 31, 1991, Commodore International Limited reported net income of \$40.1 million, or \$1.18 per share, on sales of \$371.6 million. This compares with net income of \$36.5 million, or \$1.12 per share on sales of \$384.1 million in the prior year quarter. Net income increased 10% despite the considerable adverse impact of foreign exchange rates. Earnings per share of \$1.18 were based on average outstanding shares of 34 million versus 32.6 million in the prior year.

For the six months ended December 31, 1991, net income increased to \$45.4 million, or \$1.35 per share compared with \$43.5 million, or \$1.34 per share, in the prior year. Sales for the six months were \$575.7 million compared with \$584.4 million in the year-ago-period.

During the quarter unit sales of the Amiga line increased 21% while C64 unit sales experienced nominal growth. Total unit sales of the Amiga line surpassed the 3 million mark and total sales of the C64 now exceed 12 million units. Although the low-end PC range was discontinued, unit sales of the high-end Professional PC products experienced a four-fold increase. In order to enhance future CDTV player sales, we commenced an effort to broaden our distribution and market CDTV as a computer with the appropriate accessories.

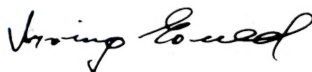
Gross profit for the quarter declined 11%, due entirely to the adverse impact of foreign exchange rates. Operating expenses were tightly controlled and reduced by 18% versus

the prior year, more than offsetting the decline in gross profit. These factors resulted in net income for the quarter of \$40.1 million.

On December 30, 1991, the Company repaid a 100 million Deutsche Mark debenture issue, and maintained a year-end cash position at a level approximately equal to the prior year.

We are pleased with the sustained unit growth in sales of Amiga products as well as the continued demand for the C64 and Professional PC lines. We intend to strengthen our product offerings with a number of new product introductions in the near future.

Sincerely,



Irving Gould
Chairman of the Board and
Chief Executive Officer



Mehdi R. Ali
President

February 10, 1992

Commodore, the Commodore logo and CDTV are registered trademarks, and C64 is a trademark of Commodore Electronics Ltd. Amiga is a registered trademark of Commodore-Amiga, Inc.

Condensed Consolidated Balance Sheets
Commodore International Limited and Subsidiaries
(In Thousands of Dollars)

	December 31	
Unaudited	1991	1990
Assets		
Current Assets:		
Cash and equivalents	\$119,800	\$123,300
Accounts receivable, net	303,600	291,700
Inventories:		
Raw materials and work-in-process	87,700	107,000
Finished goods	130,100	117,500
Other current assets	10,200	12,800
Total current assets	651,400	652,300
Property and Equipment, net	88,500	79,200
Other Assets	20,500	16,700
	\$760,400	\$748,200
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank debt	\$ 34,400	\$ 17,800
Current portion of long-term debt	25,800	13,200
Accounts payable and accrued liabilities	262,300	220,200
Taxes payable	4,300	24,500
Total current liabilities	326,800	275,700
Long-term Debt and Other Long-term Liabilities	86,700	165,000
Shareholders' Equity:		
Capital stock	300	300
Contributed surplus	44,700	40,500
Retained earnings	310,700	265,100
Cumulative translation adjustment	(2,200)	8,400
Unearned compensation	(5,000)	(5,400)
Treasury stock	(1,600)	(1,400)
Total shareholders' equity	346,900	307,500
	\$760,400	\$748,200

The accompanying notes are an integral part of these statements.

Condensed Consolidated Statements of Operations

Commodore International Limited and Subsidiaries
(In Thousands of Dollars, Except Per Share Amounts)

	For the Three Months Ended December 31		For the Six Months Ended December 31	
Unaudited	1991	1990	1991	1990
Net Sales	\$371,600	\$384,100	\$575,700	\$584,400
Cost of sales	251,000	248,600	398,000	385,700
Gross profit	120,600	135,500	177,700	198,700
Selling and marketing expense	50,500	65,700	78,100	97,600
General and administrative expense	15,800	14,900	27,900	26,400
Research and development costs	6,800	8,500	13,500	15,800
Total operating expenses	73,100	89,100	119,500	139,800
Operating income	47,500	46,400	58,200	58,900
Interest expense, net	4,500	4,400	8,400	8,900
Other expense	800	3,200	1,800	4,000
Income before income taxes	42,200	38,800	48,000	46,000
Provision for income taxes	2,100	2,300	2,600	2,500
Net Income	\$ 40,100	\$ 36,500	\$ 45,400	\$ 43,500
Net Income per share	\$ 1.18	\$ 1.12	\$ 1.35	\$ 1.34
Average shares outstanding	34,034,000	32,582,000	33,605,000	32,477,000

The accompanying notes are an integral part of these statements.

Condensed Consolidated Statements of Cash Flows

Commodore International Limited and Subsidiaries

(In Thousands of Dollars)

	For the Six Months Ended December 31	
Unaudited	1991	1990
Cash Flows from Operating Activities:		
Net income	\$ 45,400	\$ 43,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,700	9,700
Other noncash items	1,900	3,600
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(43,400)	(39,400)
(Increase) decrease in inventories	1,100	12,200
(Increase) decrease in other current assets	(1,600)	(3,700)
Increase (decrease) in accounts payable and accrued liabilities	86,500	39,300
Increase (decrease) in taxes payable	(5,200)	(3,000)
Net cash provided by operating activities	97,400	62,200
Cash Flows from Investing Activities:		
Capital expenditures	(10,800)	(8,200)
Other investment activities	(1,000)	(2,100)
Net cash used for investing activities	(11,800)	(10,300)
Cash Flows from Financing Activities:		
Net short-term borrowings (repayments)	19,700	(9,500)
Proceeds from issuance of common stock	500	—
Purchase of treasury stock	(200)	(300)
Proceeds from issuance of long-term debt	14,000	—
Payments of long-term debt	(65,400)	(200)
Net cash used for financing activities	(31,400)	(10,000)
Effect of exchange rates on cash	1,100	3,000
Net increase in cash and equivalents	55,300	44,900
Cash and equivalents—beginning of period	64,500	78,400
Cash and equivalents—end of period	\$119,800	\$123,300
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 10,600	\$ 9,000
Income taxes	4,400	2,500

The accompanying notes are an integral part of these statements.

Notes to Condensed Consolidated Financial Statements

Commodore International Limited and Subsidiaries

December 31, 1991

1) These financial statements should be read in conjunction with the financial statements and related notes in the fiscal 1991 Annual Report to Shareholders.

2) These financial statements are not audited but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the periods shown. The results for the quarter are not necessarily indicative of the results expected for the fiscal year.

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